



MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK BUDGET

2012/2013 FINANCIAL YEAR





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1. MAYORS REPORT



This budget has been crafted at a challenging but hopeful time where economic uncertainty, global warming, infrastructure development, unemployment and poverty remains a challenge for us as South Africans, Umdoni is NO EXCEPTION.

In his State of the Nation Address, President Jacob Zuma committed billions of rands to Infrastructure Development and improvement. Our strategic priorities as the sphere of government that is closest to the community, is to ensure that such priorities are implemented at local level.

This budget has been prepared with both Service Delivery and Integrated Development Plan (IDP) priorities for the municipality in the forthcoming financial year.

After the June 2008 flood disaster, we committed our energies and resources towards rehabilitation and construction of new road networks. In the preparation of this budget, we are mindful of climate change caused by global warming resulting in recurring storms and heavy rain-falls. We are therefore entrusted with the responsibility to continue maintaining our roads hence our resources will also be channeled accordingly.

Reflecting back to 2011/2012

TOTAL CAPITAL BUDGET:	R 122 598 063.00
TOTAL OPERATING BUDGET:	R 27 254 510.00

2012/2013 Budget Highlights:

TOTAL CAPITAL BUDGET:	R 22 446 050.00
TOTAL OPERATING BUDGET:	R 141 271 220.00



UMDONI MUNICIPALITY

DRAFT BUDGET DOCUMENTATION FOR THE 2012/2013 BUDGET YEAR

Significant Capital Projects:

<u>PROJECT NAME</u>	<u>BUDGET</u>	<u>SOURCE OF FUNDING</u>
D153 farm Isonti Road	+/- R 10 Million	MIG
Oggolweni Road	+/- R 9 Million	MIG
Umzinto Sportsfield	+/- R 4.3 Million	MIG

Capital Budget

Capital expenditure has been allocated towards the purchase of heavy duty plant, equipment and vehicles which will assist the municipality in maintaining the road network/s with emphasis being on rural roads and not forgetting the urban roads where approximately 70% of the Disaster rehabilitation funds over the past three years were injected.

Operating Budget

Whilst we note with concern that our employee related costs increases on an annual basis due to the demands of improved service delivery as well as annual increases linked to both inflation and Consumer Price Index (CPI), we are mindful that these costs need to be controlled to remain financially sustainable. This poses a challenge when strategizing and considering cost cutting majors whilst adhering to government's mandate of job creation and service delivery priorities.

The establishment of the Rural Development Unit will be one of our priorities in this financial year, so as to focus the municipal's attention towards the development of our rural committees at macro-level.

We are also committing funds to other resources such as Special Programmers/Projects which targets the vulnerable groups ie; the Youth, Women, people living with disability etc. Our approach will differ slightly from the traditional approach previously used in addressing the matters of those infected and affected by the HIV and AIDS epidemic. Budgetary provision is as follows:

SPECIAL PROGRAMMES

Youth	-	R 250 000.00
Women	-	R 110 000.00
Disabled Groups	-	R 40 000.00
HIV/Aids Programmes	-	R 100 000.00
Sport and Recreation	-	R300 000.00
Elderly Citizens	-	R 50 000.00
Children	-	R 150 000.00

In conducting our business, we must be mindful that for 2010/2011 as Umdoni we managed to achieve a clean audit. Both the Council and Administration are committed towards sustaining such an audit outcome by being accountable in our spending.

2. DRAFT RESOLUTIONS

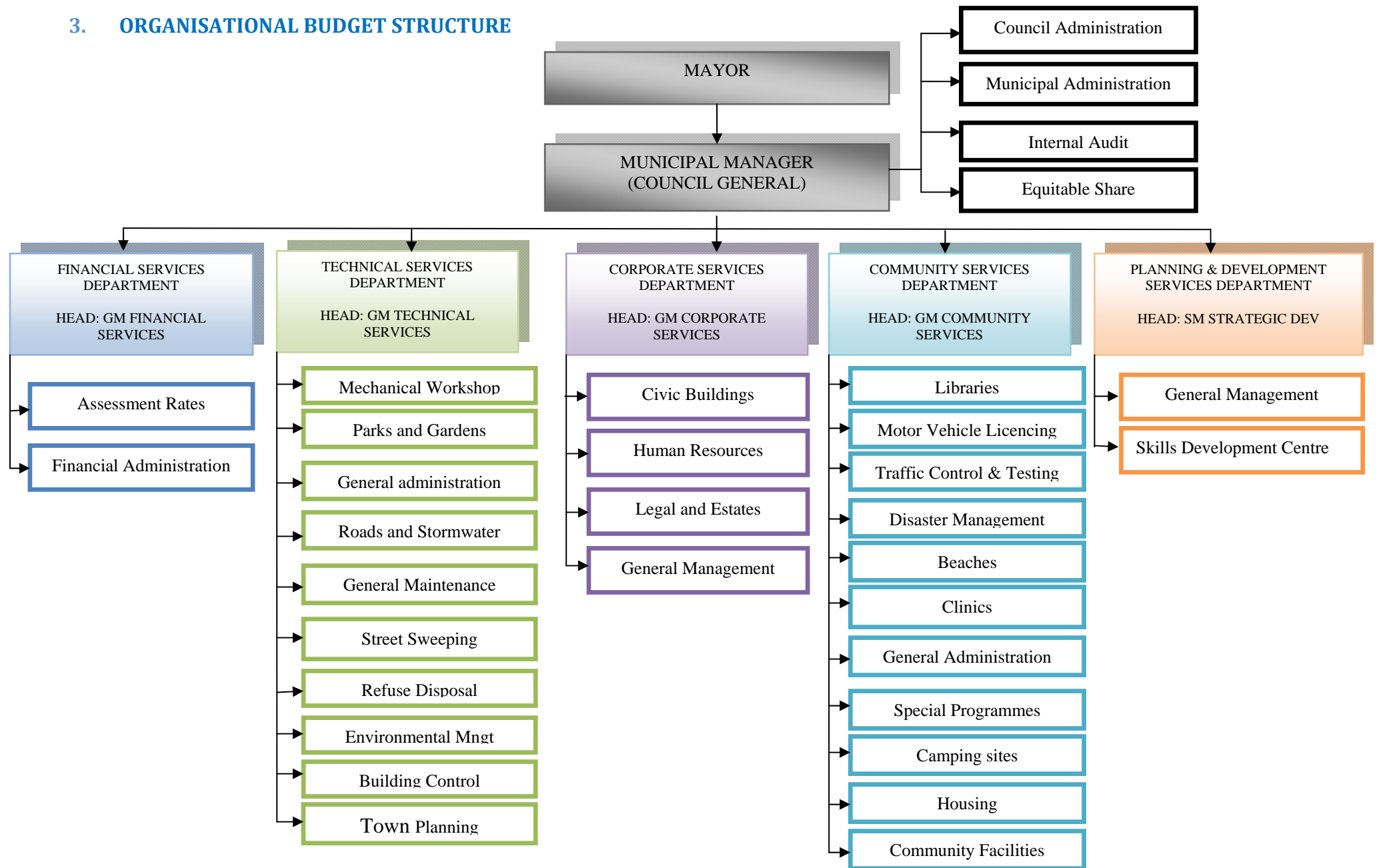
As required in terms of Section 16(1) of the Municipal Finance Management Act, No.56 of 2003, the Council of the municipality must approve an annual budget for the ensuing budget year before the commencement of that budget year.

A consultative process with members of the public and Council was held since the adoption of the draft budget. All comments received were considered and adjustments were effected accordingly

The following resolutions are tabled for consideration by Council with regard to the 2012/2013 Budget:

- 1.1 That the annual capital and operating budgets of the municipality for the financial year 2012/2013 be adopted as set out in the following schedules:
 - a) Budgeted Financial Performance Summary by Revenue Source and Expenditure Category for all Departments as reflected in Annexure 1;
 - b) Budgeted Financial Performance - revenue and expenditure by department as reflected in Annexure 2;
 - c) Budgeted Financial Performance - revenue and expenditure by municipal vote as reflected in Annexure 3;
 - d) Budgeted Financial Performance - revenue and expenditure by line item as reflected in Annexure 4;
 - e) Budgeted Capital Expenditure by vote, GFS classification and funding as reflected in Annexure 5; and
 - f) Budgeted Capital Expenditure by line item as reflected in Annexure 6
- 1.2 That the Tariff of Charges reflected in Annexure 7 are adopted for 2012/2013 financial year.
- 1.3 That the property rates randages and rebates calculated at a 6% increase, as reflected in the budget documents are adopted for the 2012/2013 financial year.
- 1.4 Comments from provincial treasury have been considered
- 1.5 The process with regards to acquiring the loan as reflected in the capital budget commence

3. ORGANISATIONAL BUDGET STRUCTURE





4. EXECUTIVE SUMMARY OF THE 2012/2013 BUDGET

4.1 VISION, MISSION AND OBJECTIVES OF THE UMDONI MUNICIPALITY

VISION

“BY 2020 UMDONI WILL BE THE **JEWEL** OF THE SOUTH COAST.”

MISSION STATEMENT

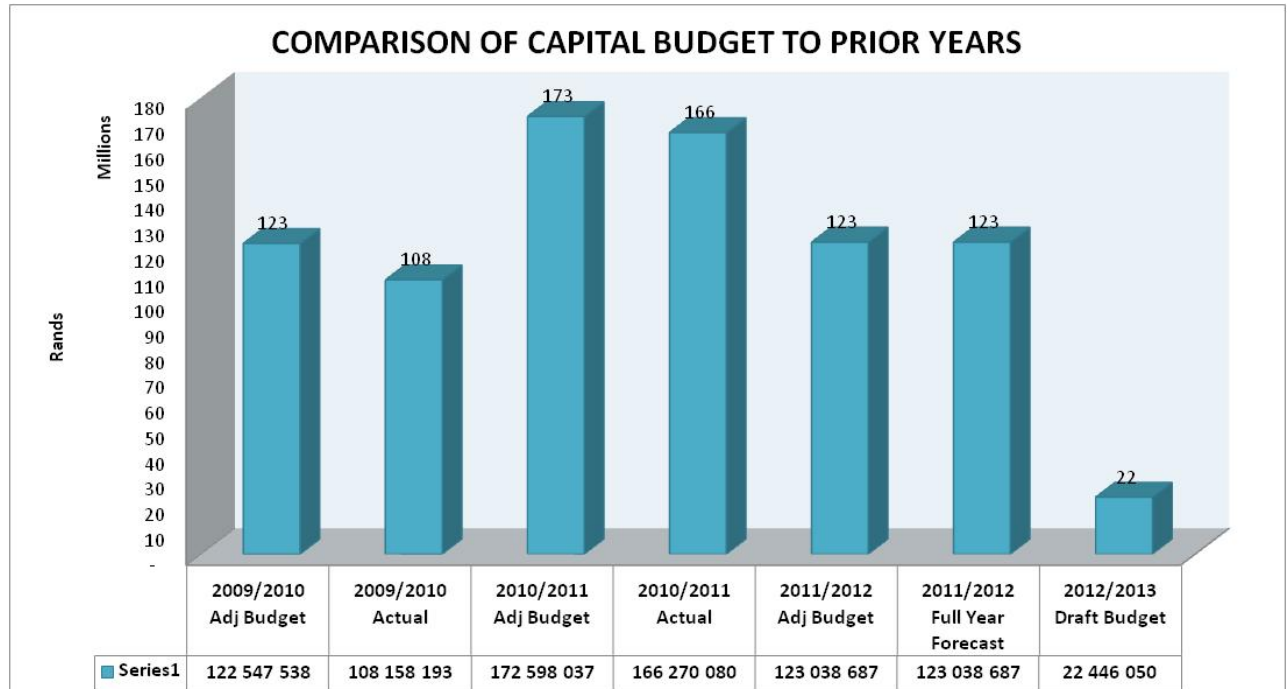
“WORKING TOGETHER IN CONTRIBUTING TO **JOB** CREATION, **ECONOMIC VIABILITY** THROUGH SUSTAINED **LOCAL ECONOMIC DEVELOPMENT** TO ENSURE THE **WELL BEING** OF OUR COMMUNITY IN **ECO FRIENDLY** ENVIRONMENT.”

PRINCIPALS OF UMDONI MUNICIPALITY

- **JOB CREATION**
- **ECONOMIC VIABILITY**
- **WELLBEING OF THE COMMUNITY**
- **ENVIRONMENTALLY FRIENDLY ENVIRONMENT**
- **LOCAL ECONOMIC DEVELOPMENT**

4.2 2012/2013 CAPITAL BUDGET OVERVIEW

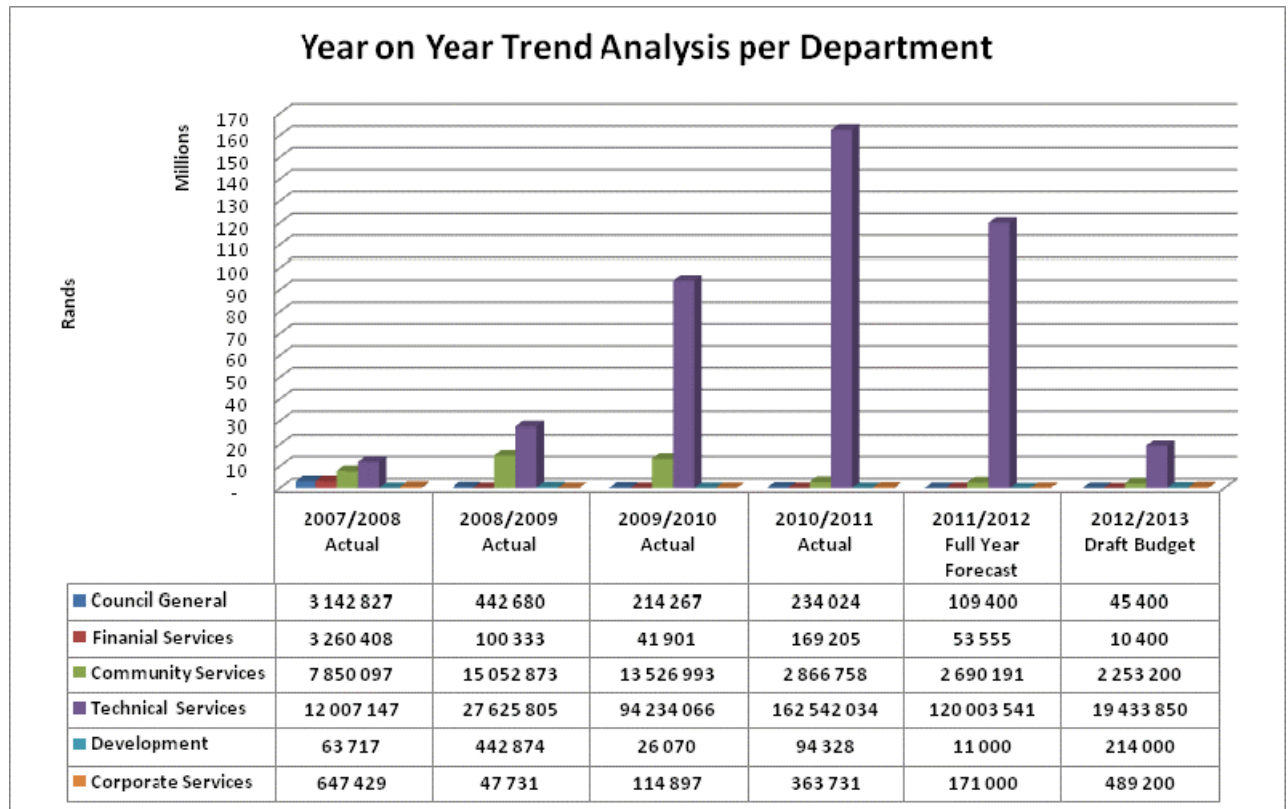
The 2012/2013 Capital Budget has been estimated at R 27,486,050. A graphical representation of the capital growth of the municipality can be portrayed as follows:



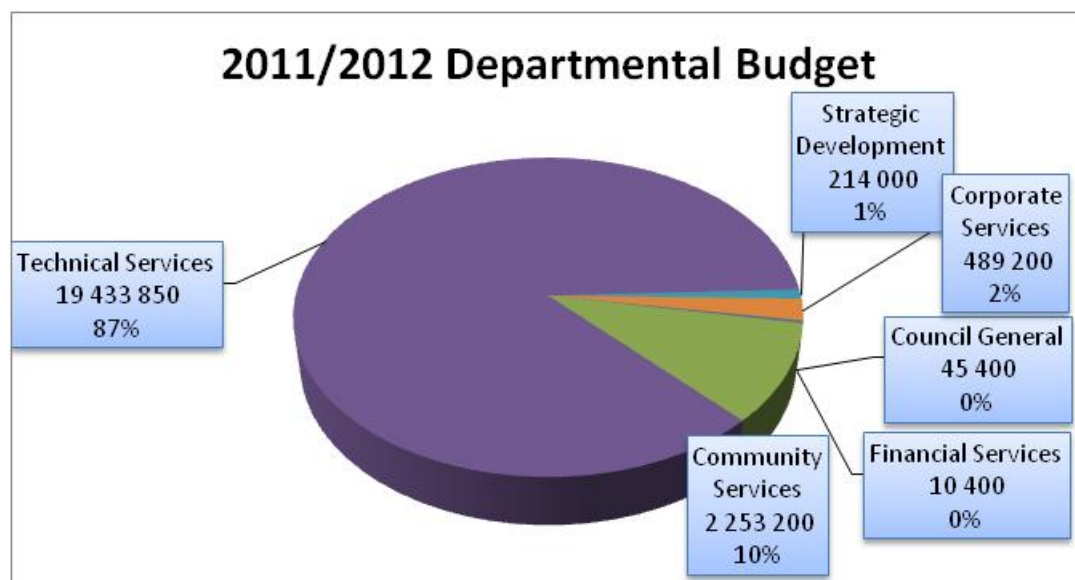
As evident from the above graph, it is clear that the capital budget has decreased from R 123 million in the adjustment budget to just over R 27 million for the upcoming financial year. This is due to completion of The Disaster Rehabilitation Project (R 378 million). In addition, Umdoni Municipality is limiting Capital Projects for the upcoming financial year as more emphasis will be placed on maintaining current infrastructure.

This focus of maintenance, especially on the roads, requires us to replenish our fleet of heavy duty equipment and vehicles. These will be funded via a loan of R 4,5 million anticipated to be taken out during the course of the year.

A trend analysis of the capital budget allocations per department from 2007/2008 to the upcoming financial year follows:

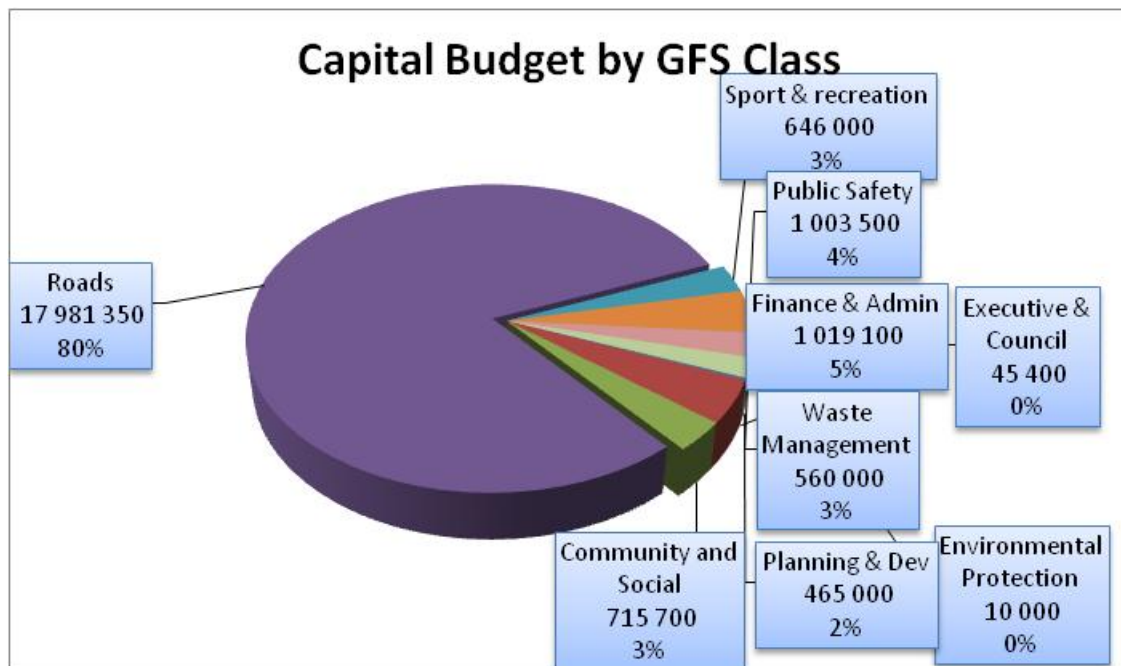


As evident from the graph presented above, it is clear that year on year the majority of Umdoni's Capital Budget is split between Community Services and Technical Services. This shows Umdoni's commitment to providing infrastructure for the community rather than spending administratively.

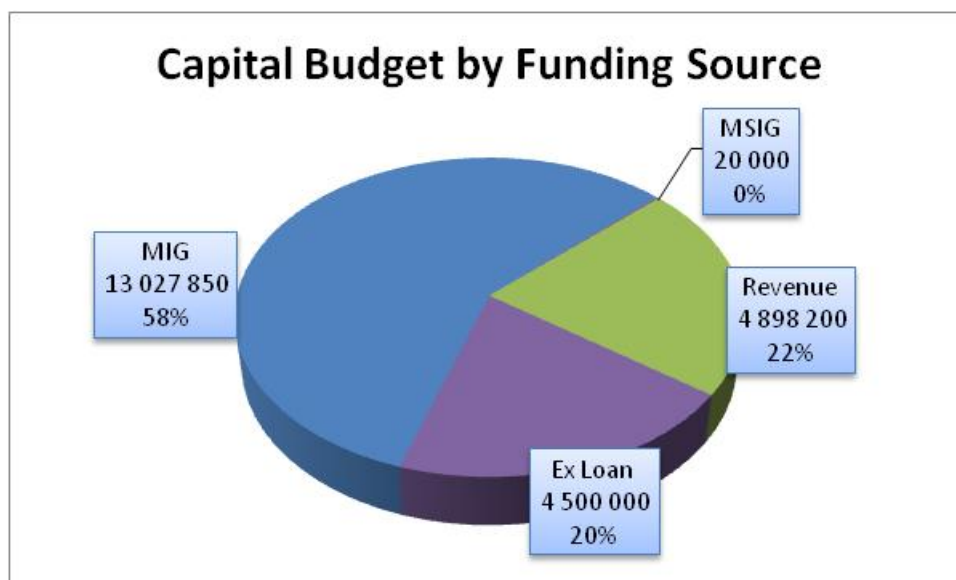


The capital budget for the 2012/2013 financial year is focused toward improving the lives of the communities, and therefore 97% of the capital budget has been targeted toward Technical Services and Community Services. Their main project in the capital budget is the construction of the Gqolweni Road Bridge. In addition an amount of R 4,5 million has been budgeted for the purchase of new vehicles and equipment for the Roads Department. This signifies Umdoni's commitment to

maintenance on infrastructure. The greater part of other capital items are all geared towards service delivery.



The above mentioned graph categorises the capital budget by GFS classification, with roads and stormwater receiving the largest allocation of 80%, Community and Social Services receiving 3%, Sport and Recreation receiving 3% and Public Safety at 4%. This again highlights Umdoni Municipality's commitment to the community .

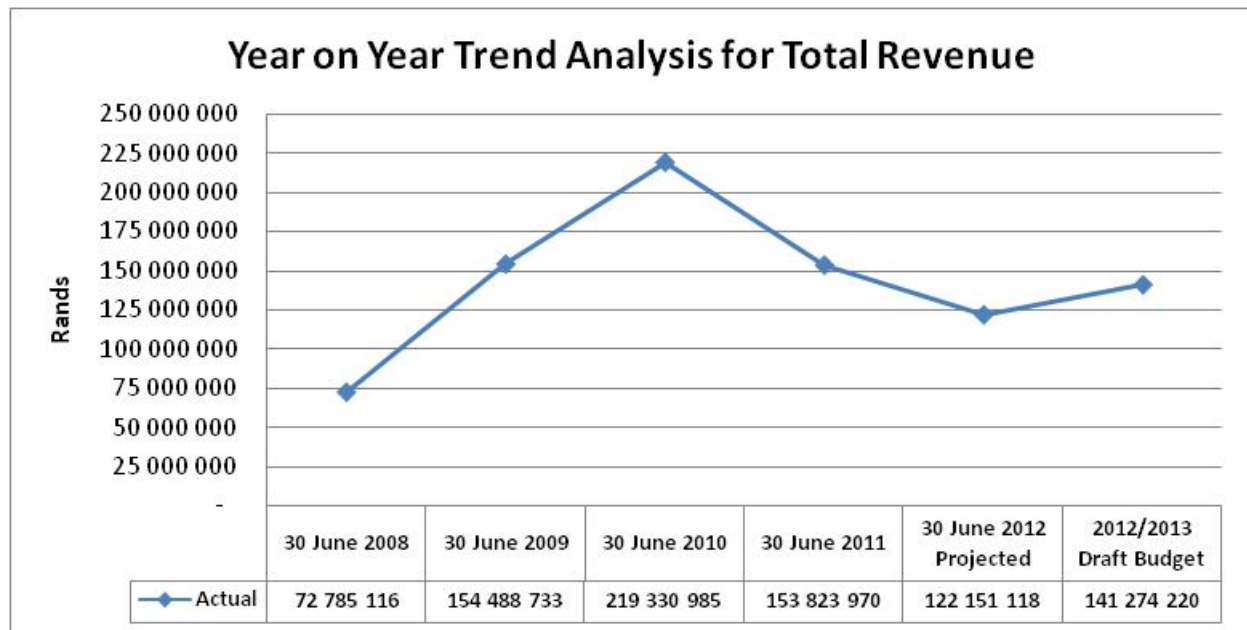


The 12/13 capital budget accounts for four funding sources, being revenue generated income, MIG, External loans and MSI Grant. The external loan will be used to fund the purchase of heavy duty vehicles and equipment for the Roads Department.

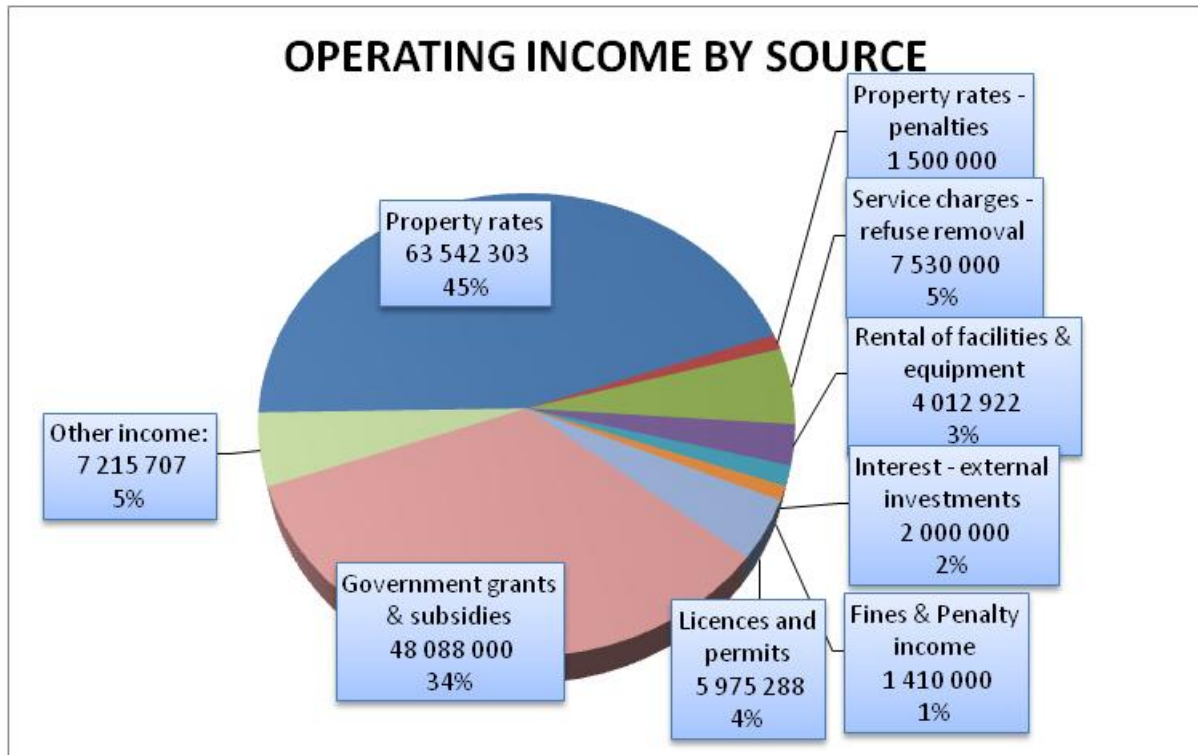
4.3 2012/2013 OPERATIONAL BUDGET OVERVIEW

OPERATING REVENUE

The estimated operating income has been projected at R 142,2 million. An analysis of prior year trend levels of income is reflected below:



Income levels have been estimated at actual collection levels and the 12/13 budget indicates income levels which are realistic and attainable by the municipality. The impact of the global economic crisis as well as current inflation rates have been considered extensively during the establishment of these income levels, as a substantial amount of consumers will no longer be able to afford the level of increases experienced in the past.

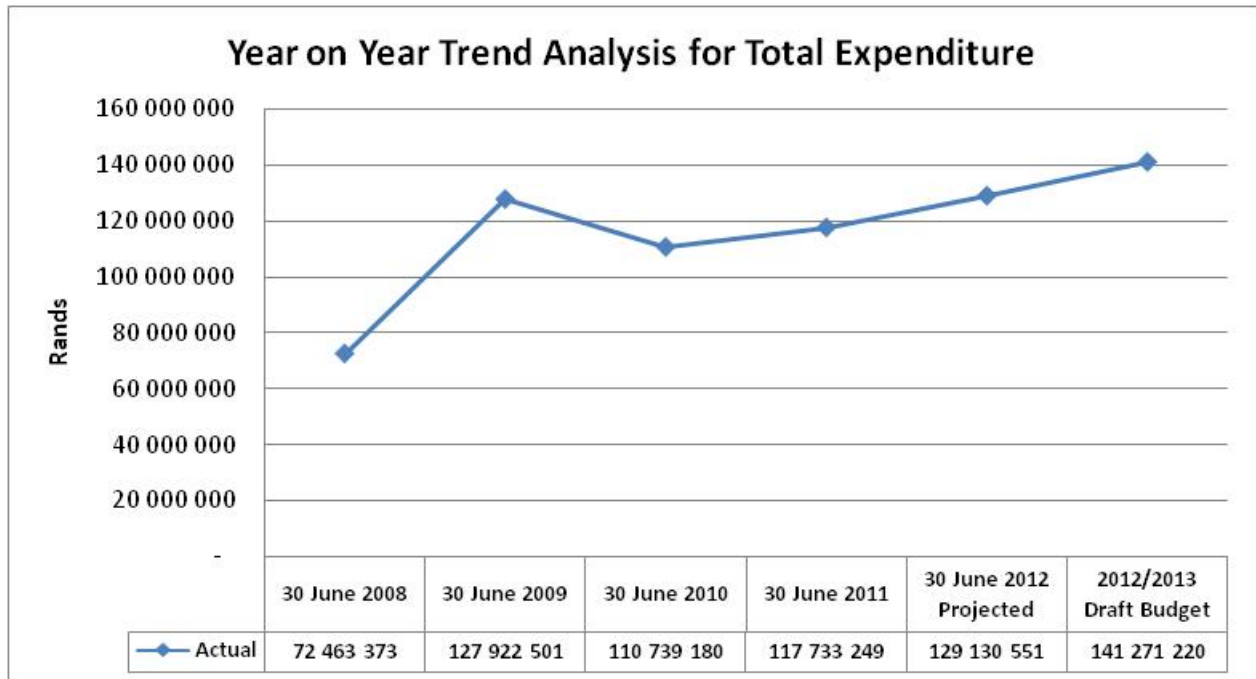


As indicated above, 45% of the income anticipated to be received by the municipality relates to property rates, followed by Government Grants which represent 34% of the estimated income. Included in the grants and subsidies are the equitable share allocation which has been gazetted at R 27,8 million, followed by R 1,5 million allocated for the Finance Management Grant, as well as R 1,9 million from the Departments of Arts and Culture for library services and the remainder as non cash recognition of MIG in accordance with the GRAP standards.

Total Revenue has increased from the previous financial year due to the increase in property rates as a result of implementation of a new general valuation roll. Other notable increases are Government Grants and subsidies as gazetted and "other income" due to the increase in contributions from neighbouring municipalities for the shared service of a disaster center and an anticipated increase in collection for development levy. Other income sources have, however, remained the same or decreased. Of the significant decreases are interest on investments due to the Disaster Grant being fully expended and penalties levied, as a result of increased debt collection efforts. .

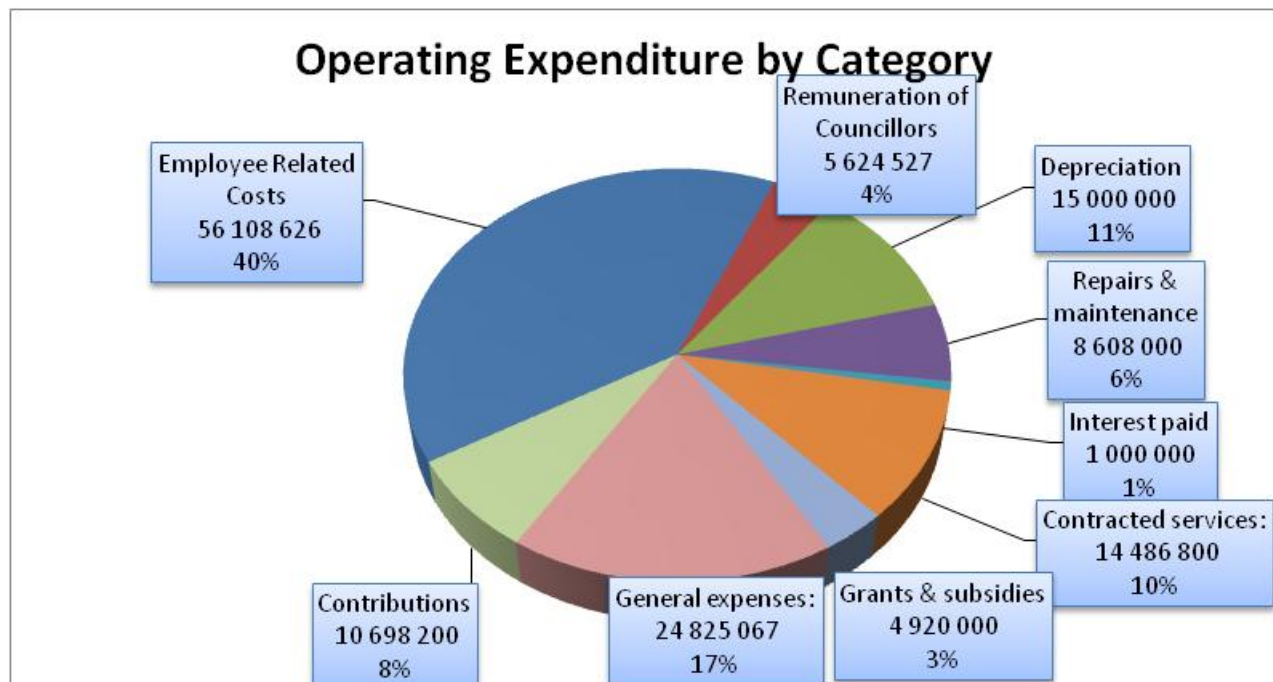
OPERATING EXPENDITURE

The total operating expenditure has been estimated at R 142,2 million. The graph below reflects the trend of expenditure levels as follows:



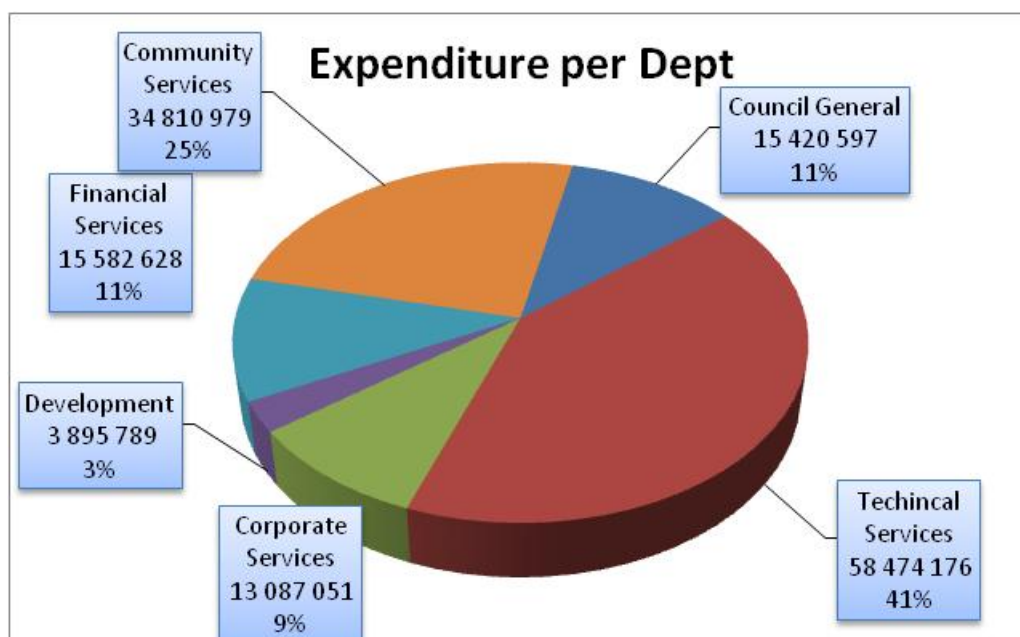
Whilst our income base has been limited due to the current economic times, the day to day operational expenditure is increasing, which is attributable to inflationary increases and increased service delivery expectations. We therefore find ourselves in a situation where we have to spend the reduced income that we have on expenditure that matters, and will improve the lives of the communities that we serve. Therefore, this budget was prepared on the basis that administrative expenditure will be reduced, and that targeted expenditure, based on our strategic priorities, is enhanced.

Expenditure on the 2012/2013 budget has been allocated as follows:



The graph above shows that 40% of budgeted expenditure will be spent on Employee Related Costs. Salaries have been posing a huge problem for our Municipality in recent years. While income is being limited to an increase of 6%, employee costs have been increasing on average 10% per year. The municipality is embarking on a drive in order to curtail Employee costs in an effective manner i.e. without compromising Service Delivery and avoiding costly retrenchments. In addition to employee costs, other expenditure continues to increase at a rapid rate and we find that in order to provide the same level of service to the community, administrative costs have been drastically reduced.

Expenditure allocated to the respective departments is reflected graphically below:



5. 2012/2013 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK TABLES

Umdoni Municipality has tabled the 2012/2013 annual budget in the format that is in accordance with the budget regulations, where possible, as follows:

- a) Budgeted Financial Performance Summary by Revenue Source and Expenditure Category for all Departments as reflected in Annexure 1;
- b) Budgeted Financial Performance - revenue and expenditure by department as reflected in Annexure 2;
- c) Budgeted Financial Performance - revenue and expenditure by municipal vote as reflected in Annexure 3;
- d) Budgeted Financial Performance - revenue and expenditure by line item as reflected in Annexure 4;
- e) Budgeted Capital Expenditure by vote, GFS classification and funding as reflected in Annexure 5; and
- f) Budgeted Capital Expenditure by line item as reflected in Annexure 6

The above, and all other budget related documents shall be submitted to National Treasury.

6. TARIFF OF CHARGES – 2012/2013 FINANCIAL YEAR

The tariff of charges for the upcoming financial year have been reviewed on an individual basis by all respective departments and have been open to comments by both Councilors and Officials. The revised tariff of charges has been included in Annexure 7 for consideration by the public. In most instances tariffs have not increased. Where increases were effected, these were, as far as possible limited to 6%.

7. PROPERTY RATES RANDAGES AND REBATES – 2012/2013 FINANCIAL YEAR

Umdoni Municipality implemented the Municipal Property Rates Act for the first time for the 08/09 financial year. This resulted in a revaluation of all properties within the Umdoni area, and was aligned to market related values. With this valuation, came the implementation of a new rates policy, and applicable tariffs, rebates and relief to the poor.

The upcoming year will see the implementation of a new valuation roll. Average market values have remained constant and every effort has been made to ensure the accuracy of the new roll.

The current economic situation has further increased the financial burden on households throughout the country and has contributed to the struggle of day to day living and job security and sustainability. As a sphere of government, we are sensitive to the crisis that we face, and therefore we have accounted for a 6% increase in the rates randages for the upcoming financial year. This 6% increase

will assist in addressing the inflationary pressures experienced as well as assist in the municipality being able to contribute more effectively to the enhancement of service delivery. Therefore, for 2012/2013 financial year, we propose the rates randages and rebates as indicated below:

Category	11/12 Rates Randage	12/13 Rates Randage
Residential	0.00742	0.00787
Commercial / Business	0.00993	0.01053
Industrial / Mining & Quarries	0.00993	0.01053
Farms and Smallholdings	0.00185	0.00196
State Owned Property	To be rated on usage	To be rated on usage
Public Service Infrastructure	0.00189	0.00200
Public Benefit Organization	0.00189	0.00200
Vacant Other	0.02079	0.02079

The rebates applied for the 2012/2013 financial year is proposed to remain the same as the 11/12 financial year:

	R
Residential (R 60,000 elective and 15,000 legislated)	75,000.00
Vacant Other	15,000.00
Disabled Persons/Pensioners/Indigent:	370,000.00
Medium to High Density level developments (Sectional Titles and Share blocks) 4% on rates due for the financial year	
Annual payments on or before 30 September 2012 2.5% of the nett rates raised	

8. OVERVIEW OF THE ANNUAL BUDGET PROCESS

The budget process is guided by various legislative frameworks and regulations, including the Local Government Municipal Finance Management, No, 56 of 2003 and the Municipal Systems Act, 2000.

Adherence to these guidelines and regulations are imperative during the budget preparation to ensure an effective, credible and sustainable budget. The review of past practices and performance is further necessary, to identify areas of weakness which can be addressed, as well as maintain the level of performance in areas where this has been achieved.

The process embarked upon for the preparation of the 2012/2013 budget can be illustrated below:



9. OVERVIEW OF THE ALIGNMENT OF THE BUDGET TO THE INTEGRATED DEVELOPMENT PLAN

The alignment of the budget to the integrated development plan is crucial in order to ensure the effectiveness of any budget. Various internal consultative sessions were held with Councilors and officials in order to determine the strategic priorities for the municipality in the upcoming financial year.

Both the integrated development plan and the budget has incorporated these priorities and action plans, and therefore assisted in the alignment of both the budget and the integrated development plan.

10. OVERVIEW OF THE BUDGET RELATED POLICIES

The budget related policies are currently under review and any comments or suggestions received during the public participation process will be considered.

11. BUDGETING ASSUMPTIONS

The budgeting assumptions that underpin the 2012/2013 budget preparation are as follows:

Revenue

- All revenue levels were based on current and past year actual trends, and therefore resulted in a realistic revenue base and kept in line with inflation as far as possible;
- Property rates and refuse removal tariffs were increased by 6% and 5% respectively;
- The Clinic subsidy has not been included in the operating income and neither has the expenditure been budgeted for;
- Interest on investments was decreased by R 1,4 million due to the decrease in the disaster fund;

Expenditure

- The following areas were targeted in terms expenditure:
 - Contracted Services
 - Employee related costs
 - General expenses
 - Repairs and maintenance was increased due to the need to maintain our existing infrastructure
- Employee costs were budgeted at an estimated increase of 5% based on National Treasury's guidelines (Circular 58);
- Electricity was budgeted utilizing the full year forecasted expenditure of the current year and taking in to account Eskoms tariff increase, however the value of the increase has been minimal in an effort to curb usage.



12. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, Mr. DD NAIDOO, Municipal Manager of UMDONI MUNICIPALITY, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, No.56 of 2003 and, to the extent as indicated in the budget documents, the regulations made under this Act, and that the annual budget and supporting documentation are consistent with the draft Integrated Development Plan of the Municipality.

PRINT NAME: _____

MUNICIPAL MANAGER OF: _____

SIGNATURE: _____

DATE: _____